

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the September 1, 1999
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: October 13, 1999

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee Meeting held in open session September 1, 1999 are submitted on the following pages.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
SEPTEMBER 1, 1999
OPEN SESSION
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
Marty Mathiesen
Lillian Raffel
Emma Zink
Phil Angelides, State Treasurer,
Beth Renge, representing State Controller,
Kathleen Connell
Curt Robinson, representing State Superintendent
of Public Instruction, Delaine Eastin
Annette Porini, representing State Director of Finance
Tim Gage

ALSO PRESENT

James Mosman, Chief Executive Officer
Patrick Mitchell, Chief Investment Officer
Elleen Okada, Director of Investment Admin. and External Relations
Chris Waddell, Chief Counsel
Christine Drevalas, Treasury Program Manager
Doug Wills, Staff Counsel
Steven Tong, Director of Internal Equities
Mitch Pleis, Director of Real Estate
Michelle Cunningham, Director of Fixed Income
Real Desrochers, Director of Alternative Investments
Richard Rose, Investment Officer
Allan Emkin, Pension Consulting Alliance
Toni Brown, Callan Associates
Terry Dennison, Mercer Investment Consulting
Nori Gerardo Lietz, Pension Consulting Alliance
Terry Sander, Pension Consulting Alliance
Doug LeBon, Pathway Capital Management
Ian Lanoff, Fiduciary Counsel, Groom Law Group
Edna White, California Retired Teachers' Association
Ellen Logue, California Teachers' Association, Retired
Loretta Toggenburger, United Teachers of Los Angeles, Retired
Scott Adams, United Steelworkers of America
Carla Din, Rose Foundation

Mary Ann Avansino, Administrative Assistant

A quorum being present, Chairperson Lynes called the open session meeting at 11:00 a.m.

I. **ANNOUNCEMENTS** (Item 2)

Chairperson Lynes announced that Items 7 and 9 would be considered following the rest of the Open Session business.

II. **APPROVAL OF MINUTES OF THE AUGUST 4, 1999 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

MOTION duly made by Ms. Porini, seconded by Mr. Mathiesen and carried to approve the minutes of the August 4, 1999 Investment Committee, Open Session as presented.

III. **EQUITY – RFP FOR INDEXED EQUITY MANAGERS** (Item 4)

Ms. Okada presented and discussed proposed specifications for a RFP for Domestic and Non Dollar Passive Equity Manager(s). Discussion ensued.

MOTION duly made by Mr. Angelides, seconded by Ms. Zink and carried to adopt item 1 of the resolution to extend current contracts, as needed, to accommodate the timeline for the RFP process.

MOTION duly made by Mr. Angelides, seconded by Ms. Zink and carried to adopt item 2 of the resolution to authorize Staff to release an RFP for Domestic and Non Dollar Passive Equity Manager(s).

MOTION duly made by Mr. Angelides, seconded by Ms. Zink and carried to adopt item 3 of the resolution to establish a “Manager Pool of qualified managers to replace terminated managers or to supplement the roster of contracted managers. Ms. Renge voted no.

MOTION duly made by Mr. Angelides, seconded by Ms. Zink and carried to adopt item 4 of the resolution to authorize use of open-ended contracts (evergreen contracts). Ms. Renge voted no.

MOTION duly made by Mr. Angelides, seconded by Ms. Zink and carried to adopt item 5 of the resolution to delegate final selection to Staff and PCA with periodic updates to the Investment Committee. Ms. Renge voted no.

Mr. Angelides left the meeting at 11:15 a.m.

IV. **FIXED INCOME - RFP FOR SECURITIES LENDING** (Item 5)

Ms. Cunningham presented and discussed proposed specifications for a RFP for CalSTRS Assets - Securities Lending Agent(s). Discussion ensued.

MOTION duly made by Ms. Raffel, seconded by Ms. Zink and carried to adopt item 1 of the resolution to extend current contracts, as needed, to accommodate the timeline for the RFP process. Ms. Renge abstained

MOTION duly made by Ms. Raffel, seconded by Ms. Zink and carried to adopt item 2 of the resolution to authorize Staff to release an RFP for CalSTRS Assets – Securities Lending Agent(s).

MOTION duly made by Ms. Raffel, seconded by Ms. Zink and carried to adopt item 3 of the resolution to establish an “Agent Pool of agents to replace terminated agents or to supplement the roster of contracted agents. Ms. Renge voted no.

MOTION duly made by Ms. Raffel, seconded by Ms. Zink and carried to adopt item 4 of the resolution to authorize use of open-ended contracts (evergreen contracts). Ms. Renge voted no.

MOTION duly made by Ms. Raffel, seconded by Ms. Zink and carried to adopt item 5 of the resolution to authorize waiver of disabled veteran contract participation goal requirements. Ms. Porini abstained. Ms. Renge voted no.

MOTION duly made by Ms. Raffel, seconded by Ms. Zink and carried to adopt item 6 of the resolution to delegate final selection to Staff and PCA with periodic updates to the Investment Committee. Ms. Renge voted no.

- V. **REAL ESTATE – REAL ESTATE POLICY FOR LEVERAGE** (Item 6)
Mr. Pleis, Ms. Gerardo Lietz and Ms. Sander discussed proposed changes to Real Estate Policy governing leverage.

Mr. Angelides returned to the meeting at 11:25 a.m.

MOTION duly made by Ms. Renge, seconded by Mr. Mathiesen and carried to adopt a resolution to approve the Real Estate Policy as modified to include specific leverage language. Ms. Porini and Ms. Zink abstained.

- VI. **LEGISLATION** (Item 8)
There was nothing further to report.
- V. **ACTIVITY STATUS REPORT – CREDIT ENHANCEMENT** (Item 10)
Mr. Rose reviewed the written report.
- VI. **ACTIVITY STATUS REPORT – REAL ESTATE** (Item 11)
Mr. Pleis presented the written report.
- VII. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 12)
Mr. Desrochers presented the written report.
- VIII. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 13)
Mr. Mitchell reviewed the written report.
- IX. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 14)
There were no statements from the public.
- X. **MOVE TO CLOSED SESSION**
Chairperson Lynes recessed the meeting at 11:50 p.m. and reconvened directly into closed session at 11:55 a.m.

XI. **RETURN TO OPEN SESSION**

Chairperson Lynes reconvened the meeting at 1:05 p.m.

XII. **ASSET ALLOCATION – FINAL REPORT** (Item 7)

Mr. Emkin, Ms. Brown and Mr. Dennison reviewed the written item and attachments. Discussion ensued regarding results of the asset allocation modeling process.

Chairperson Lynes recessed the meeting at 2:10 p.m.

The meeting reconvened at 2:20 p.m.

Mr. Angelides did not return following the recess. Ms. Drevalas assumed representation for the State Treasurer.

MOTION duly made by Ms. Raffel, seconded by Mr. Mathiesen and carried to continue the current asset allocation policy of Cash, 1%, Fixed Income 26%, Real Estate 5%, Domestic Equity 38%, International Equity 25%, and Alternative Investments 5%.

XIII. **GENERAL - DRAFT OF THE 1999 INVESTMENT MANAGEMENT PLAN** (Item 9)

Mr. Mitchell discussed the written draft of the 1999 Investment Management Plan.

XIV. **ADJOURNMENT**

Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 2:52 p.m.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson